

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------|---|-----------------|
| THE APPLICATION OF OHIO COUNTY |) | |
| WATER DISTRICT FOR (1) |) | |
| AUTHORITY TO ASSUME OWNERSHIP, |) | |
| OPERATION AND MAINTENANCE OF |) | |
| ROUGH RIVER WATER SYSTEM, INC. |) | CASE NO. 95-459 |
| (2) AUTHORITY TO MAKE GENERAL |) | |
| ADJUSTMENTS IN THE CURRENT |) | |
| RATES AND (3) AUTHORITY TO |) | |
| INCREASE THE CURRENT |) | |
| CONNECTION FEES |) | |

O R D E R

IT IS ORDERED that Ohio County Water District ("Ohio Water") shall file the original and 12 copies of the following information with the Commission no later than May 14, 1996, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. If the information cannot be provided by the stated date, Ohio Water should submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information will be furnished. Such a motion will be considered by the Commission.

1. Provide an update of Exhibit S, the Summary of Revenues & Expenses with Adjusted Operations, to reflect using 1995 as the test period. Include copies of all assumptions, calculations, and workpapers used in the update.

2. Provide a copy of the maintenance agreement between Rough River Water System, Inc. ("Rough River Water") and Ohio Water.

3. Refer to Schedule S, pro forma adjustment 4:

a. Explain why Ohio Water proposed to eliminate Rough River Water's office supply expense from the combined operations.

b. Would the merger cause Ohio Water's office expense to increase? Explain.

4. Refer to Schedule S, pro forma adjustment 7. Ohio Water determined that the pay raises given to its hourly employees would result in an increase to operating expenses of \$8,320. Provide a detailed calculation of the proposed \$8,320 increase.

5. Refer to Exhibit P, Breakdown of Salary Expense Year Ended December 31, 1994:

a. Provide the date James Porter was hired to assume purchasing and public relations duties, his starting annual salary, and his current annual salary.

b. Was Mr. Porter given the position with Ohio Water because of his past experience as an Ohio County Commissioner? Explain.

c. Explain why John White was demoted to water plant superintendent and Mr. Porter was promoted to general superintendent.

d. Explain the necessity for the following supervisory positions: General Superintendent; Office Manager; Water Plant Superintendent; and Maintenance Superintendent. Include in the response any justification for maintaining four supervisor positions.

e. Provide a complete explanation of any additions or deletions to Ohio Water's work force since December 31, 1994.

6. Provide an analysis of the July 1995 wage increase and the number of hours each employee worked during 1995 in the format provided as Schedule 6 in Appendix A.

7. Provide an analysis of the salaries Ohio Water paid its employees in 1995 in the format provided as Schedule 7 in Appendix A.

8. Provide a detailed job description for each of Ohio Water's employees.

9. Describe Ohio Water's policy regarding the payment of overtime to salaried employees.

10. Explain why the only payroll cost that was capitalized in 1994 was paid to the part-time laborers.

11. Provide the date, the amount, and percentage of pay raises given each employee of Ohio Water in 1991, 1992, 1993, and 1994.

12. a. For each employee of Rough River Water, provide the job title and annual salary.

b. Explain whether Ohio Water will retain Rough River Water's employees if the systems are merged.

13. Has Ohio Water implemented its flushing program? If yes, provide the date the program was implemented, the name of the new employee, and the salary of the new employee.

14. Refer to Exhibit S, pro forma adjustment 9:

a. Provide the date of purchase for the trucks and a copy of the purchase order or bill of sale.

b. Did Ohio Water purchase the trucks with internally generated funds or was a loan obtained? If Ohio Water obtained a loan, provide a copy of the loan agreement.

15. Refer to Exhibit S, pro forma adjustment 10:

a. Provide a detailed schedule of the rate case costs incurred to date in the format provided as Schedule 15 in Appendix A. Provide a copy of any invoice for expenditures of \$100 or more.

b. Provide an itemized estimate of the total rate case cost Ohio Water expects to incur in the format provided as Schedule 15 in Appendix A.

c. When was the hydraulic analysis performed and what was the actual cost of the analysis?

d. Was the hydraulic analysis recorded as an expense in the year that it was incurred and paid? If no, explain how the cost was recorded.

e. Provide a copy of the engineering invoices that are connected with the hydraulic analysis.

16. Refer to Exhibit S, pro forma adjustments 11 and 12:

a. Explain why Ohio Water proposes to replace its meters rather than proposing meter testing expenses related to compliance with 807 KAR 5:066, Section 16.

b. Provide documentation to support Ohio Water's estimated replacement cost of \$27.27 per meter.

c. Justify Ohio Water's proposal to depreciate its new meters over 5 years.

17. Give a brief description of Rough River Water's contract labor and transportation expenses and explain why they were removed from pro forma operations.

18. Explain Note 2 of Exhibit L which states: "The cost of water purchased from Ohio Water was increased by 30% to approximate the estimated increase in water rates."

19. Reference Exhibit N, page 5, Note 1C of Rough River Water's notes to financial statements. Explain why Rough River Water is using the modified accelerated cost recovery system ("MACRS") depreciation method rather than the straight line method required by the Uniform System of Accounts for Water Districts and Associations.

20. On page 11, line 3, of his testimony, Mr. Porter states that Ohio Water is, "operating reasonably close to capacity," while on line 19 he states that Ohio Water is, "continually expanding its customer base." Explain how these two conditions can coexist.

21. Provide a detailed description of the employee benefit package offered by Ohio Water.

22. Does Ohio Water provide health insurance to its employees? If yes, provide the health insurance information in the format provided as Schedule 22 in Appendix A.

23. Provide a detailed explanation for the increase in Ohio Water's chemical expense between 1993 and 1994.

24. Provide an analysis of Ohio Water's following 1995 expense accounts in the format provided as Schedule 24 in Appendix A. Include a copy of the invoice for each expenditure of \$200 or more.

| | | |
|----|--|-----------|
| a. | Chemicals | \$ 81,558 |
| b. | Materials & Supplies: Source of Supply & Exp. - Maint. | \$ 18,252 |
| c. | Materials & Supplies: Water Treatment Exp. - Maint. | \$ 15,717 |
| d. | Materials & Supplies: Trans & Distribution Exp. - Maint. | \$ 15,022 |
| e. | Contractual Services - Eng. | \$ 37,175 |
| f. | Contractual Services - Acct. | \$ 22,915 |
| g. | Contractual Services - Other | \$ 21,716 |
| h. | Transportation | \$ 29,955 |

25. a. Provide an analysis of Ohio Water's insurance coverage and premiums in the format as provided as Schedule 25 in Appendix A.

b. What effect will the merger have on future premiums? Provide any documentation available to support the response.

c. Provide a copy of latest workers' compensation invoice showing the current annual premium.

26. a. Provide copies of the electric invoices Ohio Water paid in the period of November 1994 through February 1996.

b. Provide copies of the electric invoices Rough River Water paid in the period of November 1994 through February 1996.

27. Explain the increase of \$98,040 between 1993 and 1995 in Ohio Water's salaries and wage expense - employees.

28. Explain the \$9,207 gain from the disposition of utility property Ohio Water reported in 1995.

29. 1995 line loss for Ohio Water and Rough River Water was 20.8 percent and 29.8 percent, respectively. Provide an analysis showing the 1995 line loss of the merged system.

30. Provide an explanation as to how the proposed rate structure as set out in Exhibit K was designed. Was a cost-of-service study prepared? If so, provide a copy.

31. Provide a breakdown of expenses which are included in the calculation of the proposed rate of \$4.53 for usage between 2,001 and 100,000 gallons and the proposed rate of \$1.30 for all usage in excess of 100,000.

32. Ohio Water's current tariff provides that applicants requesting a 1 or 2 inch connection be charged the actual cost incurred in providing the connection. Why is Ohio Water proposing to revise its tariff to include a fixed charge for 1 and 2 inch connections?

33. Refer to Exhibit T, Schedule of estimated cost of service connections.

a. What items from Pages 3 and 4 of the price quote from Wemhoener Waterworks are included in the proposed materials cost of \$285.82 for the 1 inch meter setting? Are all items from the price quote included? If not, explain why those items were excluded.

b. With regard to the 2 inch meter setting, how did Ohio Water arrive at the cost of \$320 and \$120 for backhoe, operator and labor?

c. What items from Pages 4 and 5 of the price quote from Wemhoener Waterworks are included in the quote of \$1,115.13? Why were certain items excluded from the calculation?

d. Provide cost justification for each proposed connection fee in accordance with the cost justification schedule in Appendix B.

34. What is the current rate charged to the city of Beaver Dam?

35. Has Beaver Dam been notified of this proposed rate increase? If yes, provide a copy of the notice.

36. Provide a breakdown of monthly water usage for Beaver Dam during 1995.

37. Does Beaver Dam have its own storage tanks?

38. Provide a breakdown of monthly usage during 1995, for each customer separated by meter size. If possible provide this information on a computer disk in a spreadsheet format compatible with Lotus 123. If this information is not available on computer, for Rough River Water who bills manually, provide a copy of the

billing records. All information must show the meter size for each customer.

39. Refer to Exhibit J, pages 1 of 3 and 3 of 3, Usage and Revenue by Rate Increment for Existing Customers. The second Bracket 6 line on page 1 of 3 appears to have been omitted from the combined usage/revenue table on page 3 of 3. Explain the apparent omission or provide a correction.

40. Refer to the middle rate step for water rates in Exhibits F and G. This step is not consistent with the rates listed in Exhibit E, the public notice. It would appear this step should be listed as "Next 98,000 gallons." Explain the discrepancy or provide a correction.

Done at Frankfort, Kentucky, this 30th day of April, 1996.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

Ohio County
Case No. 95-459
Wage Increase Comparison

Schedule 6
Page 1 of 1
Witness Responsible:

| Employee Name | Title | 1994 Base Salary | July 1995 Base Salary | % Increase Over 1994 Base Salary | 1995 Hours Worked | | |
|---------------|-------|---------------------|--------------------------|--|-------------------|----------|-------|
| | | | | | Regular | Overtime | Total |

APPENDIX A

AN APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 95-459
DATED APRIL 30, 1996

Ohio County
Case No. 95-459
Employee Salary Expense Analysis

Schedule 7
Page 1 of 1
Witness Responsible:

| Employee Name | Total 1995 Salaries | Source | Treatment | Trans & Distribution | <u>Customer Accounts</u> | | | Admin & General | Capitalized Labor |
|---------------|------------------------|--------|-----------|-------------------------|--------------------------|------------------|--|--------------------|----------------------|
| | | | | | Billing | Meter Reading | | | |

Ohio County
Case No. 95-459
Rate Case Cost Analysis

Schedule 15
Page 1 of 1
Witness Responsible:

| Transaction Date | Vendor | Description of Service Provided | No. of Hours Billed | Hourly Rate | Total Billed |
|----------------------|--------|---------------------------------|---------------------------|----------------|-----------------|
| Accounting: | | | | | |
| Engineering: | | | | | |
| Legal: | | | | | |
| Consultant: | | | | | |
| Other: (Identify) | | | | | |

Ohio County
Case No. 95-459
Health Insurance Analysis

Schedule 22
Page 1 of 1
Witness Responsible:

| Employee Name | Coverage Type Single/Family | 1994 Health Insurance Premiums | | Current Health Insurance Premium | |
|---------------|--------------------------------|--------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | | Employee Contribution | Amount Paid by Ohio County | Employee Contribution | Amount Paid By Ohio County |

Ohio County
Case No. 95-459
Operating Expense Analysis

Schedule 24
Page 1 of 1
Witness Responsible:

| Invoice Date | Vendor | Reference (Check # or Invoice #) | Description | Amount |
|-----------------|--------|--|-------------|--------|
|-----------------|--------|--|-------------|--------|

Ohio County
Case No. 95-459
Insurance Expense Analysis

Schedule 25
Page 1 of 1
Witness Responsible:

| Policy Title | Policy No. | Policy Period | | Annual Premium | Amount Expensed in 1995 |
|--------------|------------|-------------------|----------------|-------------------|-------------------------------|
| | | Beginning Date | Ending Date | | |

i.e.: General Liability,
Auto, etc.

Ohio County
Case No. 95-459
Purchased Power Analysis

Schedule 26
Page 1 of 1
Witness Responsible:

| Date Paid | Vendor | Reference Check # | Service From | Service To | KWH Used | Amount Billed |
|--------------|--------|----------------------|-----------------|---------------|-------------|------------------|
|--------------|--------|----------------------|-----------------|---------------|-------------|------------------|

APPENDIX B

AN APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION OF
KENTUCKY IN CASE NO. 95-459 DATED APRIL 30, 1996

AVERAGE METER CONNECTION EXPENSE
COST JUSTIFICATION

Name of Utility _____

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch ☐ 3/4-Inch ☐ 1-Inch ☐ 1 1/2-Inch ☐ 2-Inch ☐

Other (specify) _____

B. Materials Expense

| | <u>Quantity</u> | <u>Unit Cost</u> | <u>Total Cost</u> |
|--|-----------------|------------------|-------------------|
| 1. Water Meter | _____ | \$ _____ | \$ _____ |
| 2. Meter Yoke | _____ | _____ | _____ |
| 3. Corporation Stop | _____ | _____ | _____ |
| 4. Meter Box and Top | _____ | _____ | _____ |
| 5. Miscellaneous Fittings | _____ | _____ | _____ |
| 6. Other (Itemize) | _____ | _____ | _____ |
| Total Materials Expense (add total cost) | | | \$ _____ |

C. Service Pipe Expense

Type of Service Pipe _____ Size of Service Pipe _____

| | <u>Quantity</u> | <u>Unit Cost</u> | <u>Total Cost</u> |
|---|-----------------|------------------|-------------------|
| 1. Short Side Service | _____ | \$ _____ | \$ _____ |
| 2. Long Side Service | _____ | _____ | _____ |
| Average Cost (Add total cost and divide by 2) | | | \$ _____ |

D. Installation Expense

Labor

| | <u>Total Hours</u> | <u>Hourly Rate</u> | <u>Total Cost</u> |
|---|--------------------|--------------------|-------------------|
| 1. Short Side Service | _____ | \$ _____ | \$ _____ |
| 2. Long Side Service | _____ | _____ | _____ |
| Average Cost (Add total cost and divide by 2) | | | \$ _____ |

Equipment

| | <u>Total Hours</u> | <u>Hourly Rate</u> | <u>Total Cost</u> |
|---|--------------------|--------------------|-------------------|
| 1. Short Side Service | _____ | \$ _____ | \$ _____ |
| 2. Long Side Service | _____ | _____ | _____ |
| Average Cost (Add total cost and divide by 2) | | | \$ _____ |

Installation Expense continued

| | <u>Total Hours</u> | <u>Hourly Rate</u> | <u>Total Cost</u> |
|--|------------------------|------------------------|-----------------------|
| 1. Inspection | _____ | \$ _____ | \$ _____ |
| 2. Site Clean-up | _____ | _____ | _____ |
| 3. Other (Itemize) | _____ | _____ | _____ |
| Total Miscellaneous (add total cost) | | | \$ _____ |

E. Overhead Expense

1. Installation expense (\$ _____) times
overhead rate (_____ %) \$ _____

F. Administrative Expense

1. Office expense for establishing a new account
and billing record. \$ _____

G. Total Expense

1. Total of all items:

| | |
|---------------------------------|-----------------|
| Materials Expense | \$ _____ |
| Service Pipe Expense | _____ |
| Installation Labor Expense | _____ |
| Installation Equipment Expense | _____ |
| Equipment Expense | _____ |
| Miscellaneous Expense | _____ |
| Overhead Expense | _____ |
| Administrative Expense | _____ |
| Total Connection Expense | \$ _____ |